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BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY MAY 19 2005

PUBLIC SERVICE
COMMISSION

In the Matter of

THE APPLICATION OF EDMONSON COUNTY WATER)
DISTRICT (1) FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING) CASE
CONSTRUCTION OF A NEW SANITARY SEWER SYSTEM;) NO.
(2) SEEKING APPROVAL OF SANITARY SEWER) 2005-00203
SERVICE RATES AND CHARGES; AND (3) SEEKING)
APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.)

The Applicant, Edmonson County Water District (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 granting a Certificate of Public Convenience and Necessity authorizing the District to construct a new sanitary sewer system (the "Project") to serve a limited area of the District in Edmonson County, approving the initial sanitary sewer rates and charges to be levied and collected by the District and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was created by an Order entered by the County Court of Edmonson County, Kentucky, on March 20, 1967, as a consolidation and merger of the North Edmonson County Water District and South Edmonson County Water District. In addition to the District's service area in Edmonson County, areas of Hart, Warren and Grayson Counties have been annexed to the District. The District is now, and has been since its creation, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070. In conformity with KRS 74.020(1)(a) the County Judge/Executive of Edmonson County, Kentucky, with the approval of the Fiscal Court, has entered appropriate orders from time to time appointing and reappointing Commissioners who were and are residents of the District. The present District Commissioners and officers are Harold S. Stewart, Chairman, Jackie McCombs, Secretary-Treasurer and Jimmy Mills. The mailing address of the District is P. O. Box 208, Brownsville, Kentucky 42210, Attention: Nelson Sanders, Manager.

3. The District has no outstanding sewer system revenue bonds and does not presently operate a sanitary sewer system. The Project will be the District's first sanitary sewer system.

4. The District's consulting engineer, GRW Elrod Dunson, Inc., Nashville, Tennessee (the "Engineer"), has prepared a Preliminary Engineering Report and a Final Engineering Report as well as detailed plans and specifications for the construction and installation of the Project. The Preliminary Engineering Report dated January 2003 and the Final Engineering Report dated April 2005 are appended hereto as Exhibit A and Exhibit B, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures and other pertinent data.

It is the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the area of the District to be served by the Project will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has filed with the United States Department of Agriculture, Rural Development (“USDA”), the data prepared by the Engineers showing the bids received and the recommendations of the Engineers with respect thereto. USDA has approved the District's proposed award of the best bid as evidenced by the USDA letter of concurrence in the bid awards appended hereto as Exhibit C.

The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4), Section 5 (1), Sections 6 and 7, Section 8(1) through (3), Section 9 (1) and Section 10; that all other state approvals or permits for the Project have been obtained; that the proposed sewer rates of the District will produce total revenue requirements as set out in Exhibits A and B; and that construction of the Project is expected to begin on or about June 20, 2005, and to end on or about December 20, 2005.

6. The proposed sewer service rates and charges of the District are set out in a Notice of Establishment of Sewer Rates which is appended hereto as Exhibit D and which has been published in the legal newspaper in Edmonson County. The newspaper clipping evidencing such publication is submitted herewith as a part of Exhibit D.

7. The estimated costs of and sources of funds for the Project are set out in Exhibit B and in Exhibit F identified below.

8. As shown in Exhibit B and in Exhibit F, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled "Sewer System Revenue Bonds, Series 2005," in the principal amount of \$100,000 (the "Bonds"). A recent preliminary draft of a proposed bond-authorizing Resolution of the District authorizing \$100,000 of bonds is appended hereto as Exhibit E.

The District has entered into a loan agreement with USDA pursuant to which USDA will make a loan to the District of \$100,000, to be represented by the Bonds. The Bonds are expected to bear interest at the single rate of 4.25% per annum. Appended hereto as Exhibit F are copies of letters from USDA to the District setting forth terms, conditions and understandings relating to the loan, together with related USDA correspondence regarding the principal maturities of and interest rate on the Bonds.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law; and in the event a bid or bids are received for the Bonds at an interest cost basis to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder. However, it is not expected any more favorable bids will be received. The Bonds will not be delivered to USDA until such time as at least 80% of the amount of the Bonds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially, in part, from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation ("KRWFC") at a rate not expected to exceed 5.00% per annum. The interim loan

will be secured by (i) the undisbursed proceeds of the interim financing loan and (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures.

Interim financing is also available to the District from USDA in the event other interim financing sources are not available or are unreasonable.

9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, (b) approving the proposed schedule of sewer service rates and charges and (c) authorizing pursuant to KRS 278.300 the issuance of \$100,000 principal amount of Bonds by the District as described herein.

WHEREFORE, the Applicant, Edmonson County Water District, respectfully requests that such Order be issued.

Respectfully submitted,

EDMONSON COUNTY WATER DISTRICT

By Harold S. Stewart

Harold S. Stewart
Chairman of the Commission

William W. Davis

William W. Davis
Ogden Newell & Welch PLLC
1700 PNC Plaza
Louisville, Kentucky 40202
Telephone: (502) 560-4257
Bond Counsel for the District

Robert D. Meredith

Robert D. Meredith, PSC
100 East White Oak
Leitchfield, Kentucky 42754
Telephone: (270) 259-4068
Counsel for the District

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF EDMONSON)

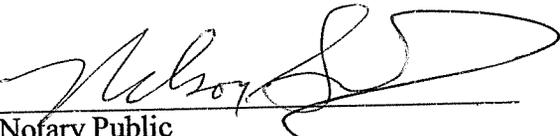
I, Harold S. Stewart, being first duly sworn according to law, state that I am Chairman of the Commission of Edmonson County Water District, Edmonson County, Kentucky, that I have read the foregoing Application, and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 18 day of May, 2005.



Harold S. Stewart

Subscribed and sworn to before me this 18 day of May, 2005. My commission expires 6-15-05.



Notary Public
Commonwealth of Kentucky

Exhibit A

PRELIMINARY ENGINEERING REPORT

FOR

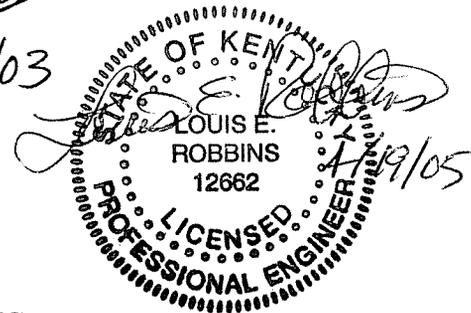
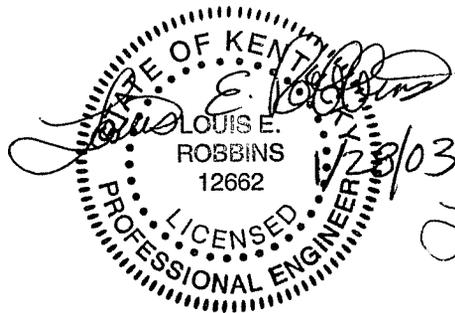
EDMONSON COUNTY WATER DISTRICT

EDMONSON COUNTY, KENTUCKY

NORTH BROWNSVILLE SEWAGE
COLLECTION SYSTEM

GRWED PROJECT NO. 7529

JANUARY 2003



GRW ELROD DUNSON, INC.
404 BNA DRIVE, SUITE 201
NASHVILLE, TN 37217
(615) 366-1600
FAX (615) 366-0406

OFFICIALS
FOR THE
EDMONSON COUNTY WATER DISTRICT

COMMISSIONERS

Harold S. Stewart, Chairman

Jackie McCombs

Jimmy Mills

MANAGER

Nelson Sanders

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I. INTRODUCTION

A. Purpose

The purpose of this Preliminary Engineering Report is to investigate and present the estimated costs of extending sewer collection service to approximately 38 unserved residential and commercial customers in an area along and adjacent to Hwy. 259 North of Brownsville, Kentucky. The area has numerous businesses and residences which have been identified to have failing private sewage systems or systems which are not suitable for expansion or upgrading to allow for growth.

B. Project Area

The Edmonson County Water District was formed to serve all areas in Edmonson County, except areas inside the City of Brownsville and the Mammoth Cave National Park, and also to serve parts of Warren, Grayson and Hart Counties. The District was also organized to allow for sewer service to these same areas.

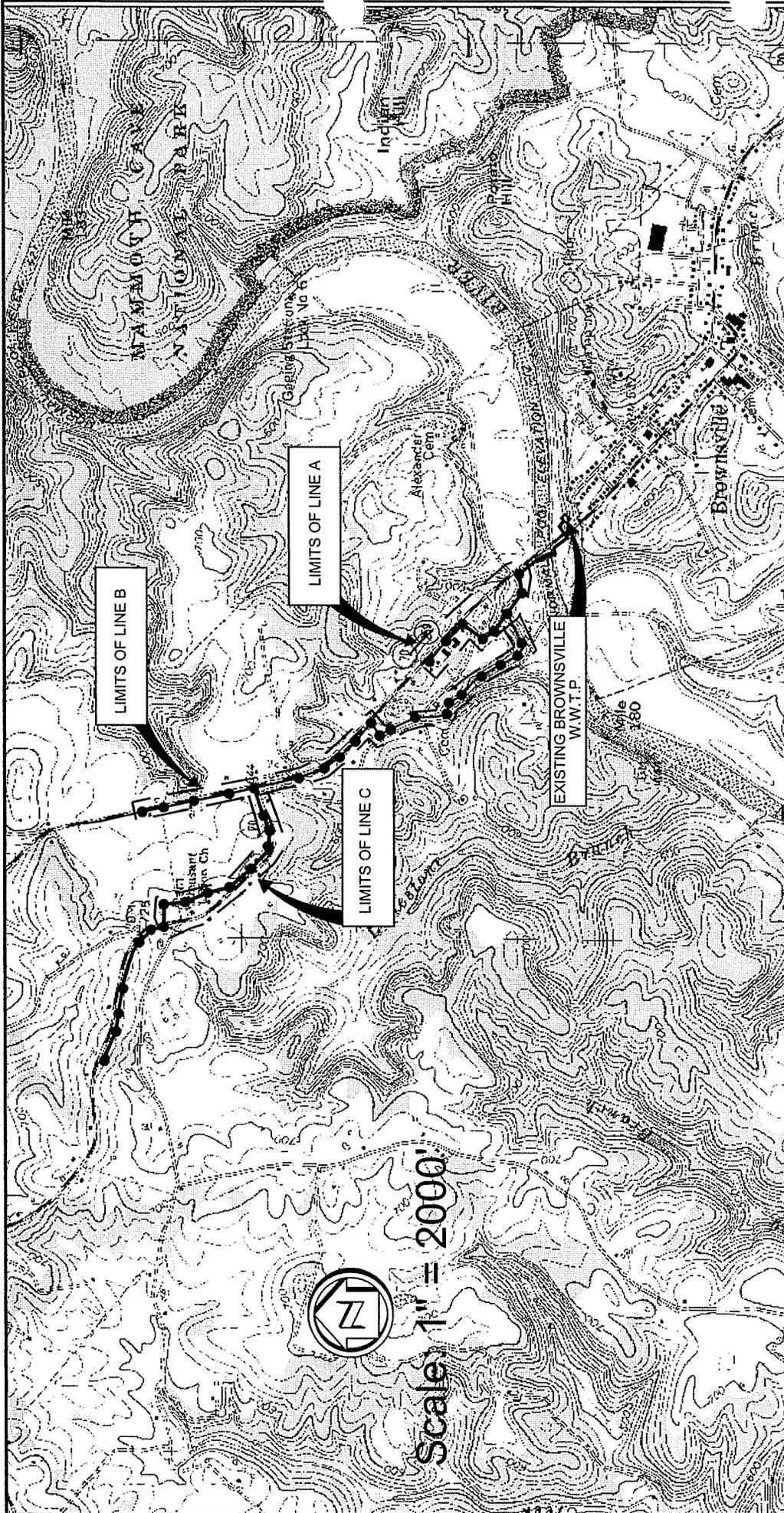
The attached exhibit shows the proposed sewer line extensions. The need for a sanitary sewer collection system is commonly recognized as being highly desirable in almost any area. The extension of sewer lines into these areas is recommended as being beneficial for the residents by removing a potential health hazard associated with failing on-site disposal systems as well as removing the source of pollution which affects the areas downstream in the drainage basin. The area impacted includes the Green River, springs, streams, caves and sinkholes(which can magnify the problems associated with failing on-site septic systems). A letter from the Barren River District Health Department is attached as Appendix A to this report.

The area is very hilly with soil conditions that generally do not allow for adequate percolation rates for septic systems. The hilly terrain often causes difficulty in the laying out and installation of lateral lines. Because of these conditions, many of the existing systems are failing.

II. EXISTING FACILITIES

A. General

The Edmonson County Water District currently does not own or operate any sewer collection or wastewater treatment systems. The collected wastewater from the proposed sewer lines will be conveyed to the existing Brownsville wastewater treatment facility for treatment. Kentucky DOW personnel indicated the Brownsville plant to have a rated capacity of 129,000 gpd with a current loading of approximately 70,000 gpd



Edmonson County, Water/Sewer District

Edmonson County Gravity Line
 U.S.G.S. quad map: Brownsville, ky (1983)

Date: Oct. 2002	 GRW Elrod Dunson, Inc. Engineers, Architects, Planners LEXINGTON LOUISVILLE INDIANAPOLIS NASHVILLE KNOXVILLE
Proj. No. 7529	

B. Wastewater Treatment

The Edmonson County Water District currently does not own or operate any wastewater treatment facilities. The City of Brownsville owns and operates an existing wastewater treatment plant rated at 129,000 gpd according to Kentucky DOW personnel. The treatment facility discharges to the Green River and currently has an average loading of approximately 70,000 gpd.

C. Collection System

The Edmonson County Water District currently does not own or operate any sewer collection facilities.

III. PROPOSED FACILITIES

A. General

The proposed project will provide a much needed service to the residential and commercial customers in the area and will help to eliminate environmental pollution from failing on-site septic systems.

B. Wastewater Treatment

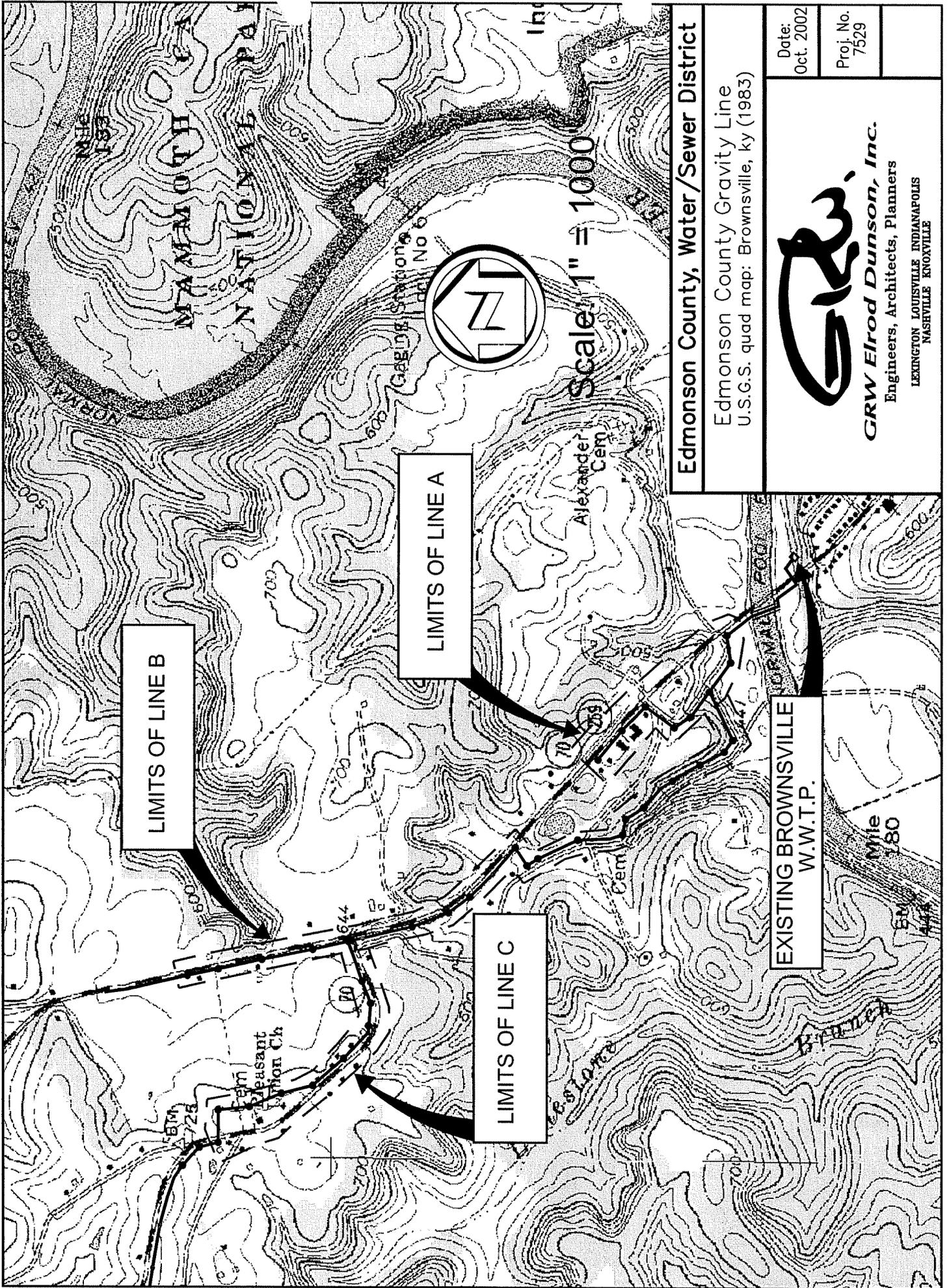
The Brownsville treatment facility currently has adequate capacity to handle the additional flows from the proposed project. Based upon current water usage, the flows from this project are estimated to be in the range of 10,000 gpd.

C. Collection System

The Edmonson County Water District proposes to extend approximately 10,800 LF of gravity sewer in this project. A sewage pumping station and force main will be required to convey the wastewater to the Brownsville treatment facility. It is anticipated that the lines will be constructed adjacent to or on public ROW's where possible. No creek crossings appear to be in the project area. However, a crossing of the Green River will be necessary to tie into the existing Brownsville treatment facility. Permits from the DOW and the COE will be required for this activity. The proposed lines are shown on the attached exhibit.

IV. PROJECT COSTS

Itemized estimates of construction and project costs are presented in Tables 1 and 2 as follows:



Edmonson County, Water/Sewer District

Edmonson County Gravity Line
 U.S.G.S. quad map: Brownsville, ky (1983)

Date:
 Oct. 2002

Proj. No.
 7529

GRW
GRW Elrod Dunson, Inc.
 Engineers, Architects, Planners
 LEXINGTON LOUISVILLE INDIANAPOLIS
 NASHVILLE KNOXVILLE

LIMITS OF LINE B

LIMITS OF LINE A

LIMITS OF LINE C

EXISTING BROWNSVILLE
 W.W.T.P.

Mile 180
 BM 444

Scale: 1" = 1000'

Table 1
 Opinion of Probable Construction Cost
 Gravity Sewer and Pump Station
 Edmonson County Water District
 Jan-03

Description	Quantities	Units	Unit Price	Total Price	
<u>Pump Station and Force Main</u>					
Pump Station	1	EA.	\$60,000	\$60,000	
Force Main	1100	L.F.	\$8	\$8,800	
River Crossing	300	L.F.	\$250	\$75,000	
Highway Bore and Jack	60	L.F.	\$125	\$7,500	
SUB-TOTAL					\$151,300
 <u>Line A</u>					
8 inch gravity sewer	2100	L.F.	\$34	\$71,400	
manhole	8	EA.	\$1,200	\$9,600	
service connections & service lines	8	EA.	\$352	\$2,816	
asphalt repair (20 ft wide for full road width)	40	L.F.	\$20	\$800	
bore and jack for service lines	80	L.F.	\$35	\$2,800	
SUB-TOTAL					\$87,416
 <u>Line B</u>					
8 inch gravity sewer	6200	L.F.	\$34	\$210,800	
manhole	19	EA.	\$1,200	\$22,800	
service connections & service lines	18	EA.	\$352	\$6,336	
asphalt repair (20 ft wide for full road width)	100	L.F.	\$20	\$2,000	
bore and jack for service lines	100	L.F.	\$35	\$3,500	
bore and jack for gravity line	40	L.F.	\$125	\$5,000	
SUB-TOTAL					\$250,436
 <u>Line C</u>					
8 inch gravity sewer	2500	L.F.	\$34	\$85,000	
manhole	8	EA.	\$1,200	\$9,600	
service connections & service lines	9	EA.	\$352	\$3,168	
asphalt repair (20 ft wide for full road width)	20	L.F.	\$20	\$400	
bore and jack for service lines	160	L.F.	\$35	\$5,600	
SUB-TOTAL					\$103,768
 TOTAL CONSTRUCTION COST					 \$592,920

TABLE 2
 OPINION OF PROBABLE PROJECT COSTS
 GRAVITY SEWER AND PUMP STATION
 EDMONSON COUNTY WATER DISTRICT
 JANUARY 2003

Construction:	\$ 592,920
Legal & Administrative:	\$ 22,000
Legal: \$9,000	
Grant Administration(RD): \$ 10,000	
Publications, Legal Notices, etc.: \$ 3,000	
Acquisition:	\$ 5,000
Engineering:	\$ 109,000
PER: \$ 4,000	
Design: \$ 53,500	
Inspection: \$ 34,500	
Feasibility Analysis: \$ 10,000	
Sewer Use Ordinance(Rules & Regs): \$ 4,000	
User Charge System(Rate Structure): \$ 3,000	
Interest During Construction:	\$ 5,000
Initial Operation:	\$ 10,000
Contingencies:	<u>\$ 56,080</u>
TOTAL PROJECT COSTS:	\$ 800,000

V. FINANCING

Edmonson County Water District has received a commitment for HB502 grant funds in the amount of \$300,000 and has filed an ARC application for \$400,000. The remaining \$100,000 in needed funds will be from either a local bank loan or from an RD loan.

The rates, at this time, are expected to be in the range of 100% of the water rates for residential and 150% of the water rates for commercial. These rates appear to be adequate to pay the expected costs for treatment, maintenance, etc. The final rates will be determined after a more extensive analysis which will be completed after the financing arrangements are finalized. The rates and rate structure will also be subject to review and approval by the PSC.

VI. CONCLUSIONS AND RECOMMENDATIONS

Edmonson County Water District was formed to serve the residents of several rural counties and to work towards furnishing a safe and reliable water supply and sanitary sewer service to those individuals living within the District boundaries. In order to accomplish this, the District must continually be looking for ways to expand the system while still maintaining a safe, reliable and cost-effective supply of treated water along with consideration for providing sewer service to those areas proving to be most in the need for and cost effective to serve.

With the grant funds currently offered, or anticipated to be committed, the sewer line extensions described in this report appear to be feasible and are recommended for construction. The District should proceed to secure the remaining uncommitted funds and move toward construction.

APPENDIX A

Letter from Barren River District Health Department



Barren River District Health Department

District Offices • 1109 State Street • PO Box 1157
Bowling Green, Kentucky 42102-1157
PHONE 270.781.8039 • FAX 270.796.8946
www.barrenriverhealth.org

Mr. Nelson Sanders
Edmonson County Water District
Brownsville, KY 42210

Dear Mr. Sanders:

This letter is to acknowledge the extreme importance of the need for a new public sewage pipeline across the Green River alongside of U.S. Highway 259 North in Brownsville, Kentucky. The area has numerous businesses and residences, which have private sewage systems which have been failing or have the potential to fail in the near future. This area has great potential for economic growth; however, is hampered by the existence of poor soils, rock, lack of space and seasonal high water, which is extremely expensive to maintain and construct septic systems. The installation of a new sewage pipeline in this area would not only dramatically increase the rate of economic growth in this area, but would protect the fragile environment from pollution downstream which includes: the Green River, springs, streams, caves, sinkholes, and water wells.

Sincerely,

Joe Ives
Senior Health Environmentalist

Visit Us On The Web At: www.barrenriverhealth.org



SUMMARY ADDENDUM
TO
PRELIMINARY ENGINEERING REPORT

DATED February 2003

FOR

Edmonson County Water District

(Name of Project)

APPLICANT CONTACT PERSON Nelson Sanders

APPLICANT PHONE NUMBER 270-597-2165

APPLICANT TAX IDENTIFICATION NUMBER (TIN) 61-0712517

ITEMS IN BOLD ITALIC PRINT ARE APPLICABLE TO SEWER SYSTEMS.

In order to avoid unnecessary delays in application processing, the applicant and its consulting engineer should prepare a summary of the preliminary report in accordance with this Guide.

Please complete the applicable sections of the Summary Addendum. ***Please note, if water and sewer revenue will both be taken as security for the loan, all user information and characteristics of both utility systems will be needed even though the project will benefit only one utility.***

Feasibility reviews and grant determinations may be processed more accurately and more rapidly if the Summary/Addendum is submitted simultaneously with the preliminary engineering report, or as soon thereafter as possible.

I. GENERAL

A. Proposed Project: Provide a brief description of the proposed project. In addition to this summary, the applicant/engineer should submit a project map of the service area. The project consists of a wastewater collection system to serve an area just north of Brownsville, KY. Refer to the PER for a map of the proposed project area facilities.

II. FACILITY CHARACTERISTICS OF EXISTING SEWER SYSTEM N/A

A. Sewage Treatment:

1. Type City of Brownsville

2. Method of Sludge Disposal _____

3. Cost per 1,000 gallons if sewage treatment is contracted:
\$ Still being negotiated

4. Date Constructed _____

B. Treatment Capacity of Sewage Treatment Plant 129,000 GPD

C. Type of Sewage Collector System (Describe) _____

D. Number and Capacity of Sewage Lift Stations _____

E. Sewage Collection System: N/A

Lineal Feet of Collector Lines, by size 6" _____ 8" _____
10" _____ 12" _____, Larger _____
Date(s) Constructed _____

F. Conditions of Existing System: Briefly describe the conditions and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.

III. FACILITY CHARACTERISTICS OF EXISTING WATER SYSTEM N/A

A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

If the applicant purchases water:

Seller(s):

1. _____
2. _____
3. _____

Price/1,000 gallons:

1. _____
2. _____
3. _____

Present Estimated Market Value of Existing System: \$ _____

B. Water Storage:

Type: Ground Storage Tank _____ Elevated Tank _____
Standpipe _____ Other _____

Number of Storage Structures _____

Total Storage Volume Capacity _____

Date Storage Tank(s) Constructed _____

C. Water Distribution System:

Pipe Material _____

Lineal Feet of Pipe: 3" Diameter _____ 4" _____

6" _____ 8" _____

10" _____ 12" _____

Date(s) Water Lines Constructed _____

Number and Capacity of Pump Station(s) _____

D. Condition of Existing Water System:

Briefly describe the condition and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.

E. Percentage of Water Loss Existing System _____

IV. EXISTING LONG-TERM INDEBTEDNESS N/A

A. List of Bonds and Notes:

<u>Date of Issue</u>	<u>Bond/Note Holder</u>	<u>Principal Balance</u>	<u>Payment Date</u>	<u>Bond Type Water/Sewer*</u>	<u>Amount on Deposit in Reserve Account</u>
19__ Issue	_____	\$ _____	_____	_____% ____%	_____
19__ Issue	_____	\$ _____	_____	_____% ____%	_____
19__ Issue	_____	\$ _____	_____	_____% ____%	_____
19__ Issue	_____	\$ _____	_____	_____% ____%	_____
19__ Issue	_____	\$ _____	_____	_____% ____%	_____

* If a combined issue, show attributable portion to each system.

B. Principal and Interest Payments: (Begin with Next Fiscal Year Payment)

<u>Date of Issue</u>	<u>Bond/Note Holder</u>	<u>Payment Year</u> 19__		<u>Payment Year</u> 19__		<u>Payment Year</u> 19__	
		<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
19__ Issue	_____	_____	_____	_____	_____	_____	_____
19__ Issue	_____	_____	_____	_____	_____	_____	_____
19__ Issue	_____	_____	_____	_____	_____	_____	_____
19__ Issue	_____	_____	_____	_____	_____	_____	_____
19__ Issue	_____	_____	_____	_____	_____	_____	_____
19__ Issue	_____	_____	_____	_____	_____	_____	_____

V. EXISTING SHORT-TERM INDEBTEDNESS N/A

A. List of All Short Term Debts: (Do Not Show Any Debt Listed in Paragraph IV Above)

<u>Lender or Lessor</u>	<u>Date of Issue (Month & Year)</u>	<u>Principal Balance</u>	<u>Purpose (Water and/ or Sewer)</u>	<u>Payment Date</u>	<u>Principal & Interest Payment (P&I)</u>	<u>Date to Be Paid In Full</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

VI. LAND AND RIGHTS - EXISTING SYSTEM(S) N/A

Number of Treatment Plant Sites: Water _____ *Sewer* _____
 Number of Storage Tank Sites Water _____ *Sewer* _____
 Number of Pump Stations: Water _____ *Sewer* _____
 Total Acreage: Water _____ Acres *Sewer* _____ Acres
 Purchase Price: Water \$ _____ *Sewer* \$ _____

VII. NUMBER OF EXISTING USERS N/A

	Water	<i>Sewer</i>
Residential (In Town) *	_____	_____
Residential (Out of Town) *	_____	_____
Non-Residential (In Town)	_____	_____
Non-Residential (Out of Town)	_____	_____
Total	_____	_____
Number to Total Potential Users Living in the Service Area	_____	_____

*Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residence.

VIII. CURRENT WATER AND SEWER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION N/A

<u>Meter Size</u>	<u>Water Connection Fee</u>	<u>Sewer Connection Fee</u>
<u>5/8" x 3/4"</u>	\$ _____	\$ _____
<u>1 - Inch</u>	\$ _____	\$ _____

IX. SEWER RATES - EXISTING SYSTEM N/A

Percentage of Water Bill _____ % *Minimum Charge \$* _____

Other: (If Charge Not Based on Water Bill) _____

Date This Rate Went Into Effect _____

X. WATER RATES - EXISTING SYSTEM N/A

Existing Rate Schedule:

First	_____	Gallons @ \$ _____	Minimum.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	_____	Gallons @ \$ _____	per 1,000 Gallons.

Date This Rate Went Into Effect _____

If More Than One Rate Schedule, Please Include All Schedules.

XI. ANALYSIS OF ACTUAL SEWER USAGE - EXISTING SYSTEM - 12 MONTH PERIOD N/A

For Period _____ to _____.

<i>All Meter Sizes</i>	<i>Monthly Sewer Usage</i>	<i>Average</i>	<i>Residential</i>		<i>Non-Residential</i>	
			<i>No. of Users</i>	<i>Usage (1000)</i>	<i>No. of Users</i>	<i>Usage (1000)</i>
	0 - 2,000 Gallons	1,000	_____	_____	_____	_____
	2,000 - 3,000 Gallons	2,500	_____	_____	_____	_____
	3,000 - 4,000 Gallons	3,500	_____	_____	_____	_____
	4,000 - 5,000 Gallons	4,500	_____	_____	_____	_____
	5,000 - 6,000 Gallons	5,500	_____	_____	_____	_____
	6,000 - 7,000 Gallons	6,500	_____	_____	_____	_____
	7,000 - 8,000 Gallons	7,500	_____	_____	_____	_____
	8,000 - 9,000 Gallons	8,500	_____	_____	_____	_____
	9,000 - 10,000 Gallons	9,500	_____	_____	_____	_____
	10,000 - 11,000 Gallons	10,500	_____	_____	_____	_____
	11,000 - 12,000 Gallons	11,500	_____	_____	_____	_____
	12,000 - 13,000 Gallons	12,500	_____	_____	_____	_____
	13,000 - 14,000 Gallons	13,500	_____	_____	_____	_____
	14,000 - 15,000 Gallons	14,500	_____	_____	_____	_____
	15,000 - 16,000 Gallons	15,500	_____	_____	_____	_____
	16,000 - 17,000 Gallons	16,500	_____	_____	_____	_____
	17,000 - 18,000 Gallons	17,500	_____	_____	_____	_____
	18,000 - 19,000 Gallons	18,500	_____	_____	_____	_____
	19,000 - 20,000 Gallons	19,500	_____	_____	_____	_____
	_____ - _____ Gallons	_____	_____	_____	_____	_____
	_____ - _____ Gallons	_____	_____	_____	_____	_____
	_____ - _____ Gallons	_____	_____	_____	_____	_____
		Total	()	()	()	()
		Average Usage		()		()

XII. ANALYSIS OF ACTUAL WATER USAGE - EXISTING SYSTEM - 12 MONTH PERIOD ^{N/A}

For Period _____ to _____.

All Meter

<u>Sizes</u>	<u>Monthly Water Usage</u>	<u>Average</u>	<u>Residential</u>		<u>Non-Residential</u>	
			No. of Users	Usage (1000)	No. of Users	Usage (1000)
0 - 2,000	Gallons	1,000	_____	_____	_____	_____
2,000 - 3,000	Gallons	2,500	_____	_____	_____	_____
3,000 - 4,000	Gallons	3,500	_____	_____	_____	_____
4,000 - 5,000	Gallons	4,500	_____	_____	_____	_____
5,000 - 6,000	Gallons	5,500	_____	_____	_____	_____
6,000 - 7,000	Gallons	6,500	_____	_____	_____	_____
7,000 - 8,000	Gallons	7,500	_____	_____	_____	_____
8,000 - 9,000	Gallons	8,500	_____	_____	_____	_____
9,000 - 10,000	Gallons	9,500	_____	_____	_____	_____
10,000 - 11,000	Gallons	10,500	_____	_____	_____	_____
11,000 - 12,000	Gallons	11,500	_____	_____	_____	_____
12,000 - 13,000	Gallons	12,500	_____	_____	_____	_____
13,000 - 14,000	Gallons	13,500	_____	_____	_____	_____
14,000 - 15,000	Gallons	14,500	_____	_____	_____	_____
15,000 - 16,000	Gallons	15,500	_____	_____	_____	_____
16,000 - 17,000	Gallons	16,500	_____	_____	_____	_____
17,000 - 18,000	Gallons	17,500	_____	_____	_____	_____
18,000 - 19,000	Gallons	18,500	_____	_____	_____	_____
19,000 - 20,000	Gallons	19,500	_____	_____	_____	_____
_____ - _____	Gallons	_____	_____	_____	_____	_____
_____ - _____	Gallons	_____	_____	_____	_____	_____
_____ - _____	Gallons	_____	_____	_____	_____	_____
		Total	() ()	() ()	() ()	() ()
		Average Usage	()	()	()	()

Total Water Purchased and/or Produced _____
 Total Water Sold _____

XIII. FACILITY CHARACTERISTICS OF PROPOSED SEWER SYSTEM

A. Sewage Treatment:

1. **Type** City of Brownsville existing facilities
2. **Method of Sludge Disposal** _____

3. **Cost per 1,000 gallons if sewage treatment is contracted:**
\$ 4.60 per 1,000 including operation and maintenance

B. Treatment Capacity of Sewage Treatment Plant _____

C. Type of Sewage Collector System (Describe) Gravity collection systems;
will require pumping station and force main to pump across Green River
to existing Brownsville WWTP

D. Number and Capacity of Sewage Lift Stations 1@180 gpm

E. Sewage Collection System:

Lineal Feet of Collector Lines, by size 6" _____ 8" 10,800
10" _____ 12" _____, Larger _____

XIV. LAND AND RIGHTS - PROPOSED SEWER SYSTEM

Number of Treatment Plant Sites	<u>N/A</u>
Number of Pump Sites	<u>1</u>
Number of Other Sites	_____
Total Acreage	<u>1/4</u> Acres
Purchase Price	<u>\$ 2,000 (est.)</u>

XV. FACILITY CHARACTERISTICS OF PROPOSED WATER SYSTEM N/A

A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

B. Water Storage:

Type: Ground Storage Tank _____ Elevated Tank _____
Standpipe _____ Other _____

Number of Storage Structures _____

Total Storage Volume Capacity _____

C. Water Distribution System:

Pipe Material _____

Lineal Feet of Pipe: 3" Diameter _____ 4" _____
6" _____ 8" _____
10" _____ 12" _____

Number and Capacity of Pump Station(s) _____

XVI. LAND AND RIGHTS - PROPOSED WATER SYSTEM

Number of Treatment Plant Sites _____

Number of Pump Sites _____

Number of Other Sites _____

Total Acreage _____ Acres

Purchase Price \$ _____

XVII. NUMBER OF NEW SEWER USERS

<i>Residential (In Town) *</i>	
<i>Residential (Out of Town) *</i>	16
<i>Non-Residential (In Town)</i>	
<i>Non-Residential (Out of Town)</i>	22
<i>Total</i>	38
<i>Number to Total Potential Users Living in the Service Area</i>	60

***Note:** *Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.*

XVIII. PROPOSED SEWER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION

<u>Meter Size</u>	<u>Connection Fee</u>
<u>5/8" x 3/4"</u>	\$ _____
<u>1 - Inch</u>	\$ _____
<u>1-1/2 Inch</u>	\$ _____
<u>2 - Inch</u>	\$ _____
<u>3 - Inch</u>	\$ _____
<u>4 - Inch</u>	\$ _____
<u>5 - Inch</u>	\$ _____
<u>6 - Inch</u>	\$ _____

NOTE: Connection fees not yet established.

XIX. NUMBER OF NEW WATER USERS

Residential (In Town) *	_____
Residential (Out of Town) *	_____
Non-Residential (In Town)	_____
Non-Residential (Out of Town)	_____
Total	_____
Number to Total Potential Users Living in the Service Area	_____

*Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.

XX. PROPOSED WATER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION:

<u>Meter Size</u>	<u>Connection Fee</u>
<u>5/8" x 3/4"</u>	\$ _____
<u>1 - Inch</u>	\$ _____
<u>1-1/2 Inch</u>	\$ _____
<u>2 - Inch</u>	\$ _____
<u>3 - Inch</u>	\$ _____
<u>4 - Inch</u>	\$ _____
<u>5 - Inch</u>	\$ _____
<u>6 - Inch</u>	\$ _____

XXI. SEWER RATES - PROPOSED

A. Proposed Rate Schedule without RUS Grant:

Percentage of Water Bill See Note % Minimum Charge \$ _____

Other: (If Charge Not Based on Water Bill) Note: 100% for residential and 150% for commercial

Proposed Rate Schedule: (Without RUS Grant)

First	<u>1,500</u>	Gallons @ \$	<u>9.85res/14.78com.</u>	Minimum.
Next	<u>6,500</u>	Gallons @ \$	<u>4.25res/6.38com.</u>	per 1,000 Gallons.
Next	<u>12,000</u>	Gallons @ \$	<u>3.90res/5.85com.</u>	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
All Over	<u>20,000</u>	Gallons @ \$	<u>2.90res/4.35com.</u>	per 1,000 Gallons.

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

Percentage of Water Bill _____ % Minimum Charge \$ _____

Other: (If Charge Not Based on Water Bill) _____

Recommended Rate Schedule: (With RUS Grant)

First	_____	Gallons @ \$	_____	Minimum.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
Next	_____	Gallons @ \$	_____	per 1,000 Gallons.
All Over	_____	Gallons @ \$	_____	per 1,000 Gallons.

If more than one rate, use additional sheets.

XXII. WATER RATES - PROPOSED N/A

A. Proposed Rate Schedule without RUS Grant:

First	_____	Gallons @ \$ _____	Minimum.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	_____	Gallons @ \$ _____	per 1,000 Gallons.

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

First	_____	Gallons @ \$ _____	Minimum.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	_____	Gallons @ \$ _____	per 1,000 Gallons.

If more than one rate, use additional sheets.

XXIII. FORECAST OF SEWER USAGE - INCOME - EXISTING SYSTEM - EXISTING USERS N/A

Meter Size*	Monthly Sewer Usage	Average Rate	Residential			Non-Residential		
			No. of Users** (1000)	Usage (1000)	Income	No. of Users	Usage (1000)	Income
	0 - 2,000 Gallons	1,000						
	2,000 - 3,000 Gallons	2,500						
	3,000 - 4,000 Gallons	3,500						
	4,000 - 5,000 Gallons	4,500						
	5,000 - 6,000 Gallons	5,500						
	6,000 - 7,000 Gallons	6,500						
	7,000 - 8,000 Gallons	7,500						
	8,000 - 9,000 Gallons	8,500						
	9,000 - 10,000 Gallons	9,500						
5/8	10,000 - 11,000 Gallons	10,500						
x	11,000 - 12,000 Gallons	11,500						
3/4	12,000 - 13,000 Gallons	12,500						
Inch	13,000 - 14,000 Gallons	13,500						
	14,000 - 15,000 Gallons	14,500						
	15,000 - 16,000 Gallons	15,500						
	16,000 - 17,000 Gallons	16,500						
	17,000 - 18,000 Gallons	17,500						
	18,000 - 19,000 Gallons	18,500						
	19,000 - 20,000 Gallons	19,500						
	- Gallons							
	- Gallons							
	- Gallons							
	Sub-Total		()	()	()	()	()	()
	Average Monthly Rate	()						
	Average Monthly Usage		()			()		

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	-	Gallons						
	-	Gallons						
1- Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
1-1/2 Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
2- Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
3- Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
4- Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	-	Gallons					
	-	Gallons					
5-	-	Gallons					
Inch	-	Gallons					
	-	Gallons					
	-	Gallons					
		Sub-Total	()	()	()	()	()
	-	Gallons					
	-	Gallons					
6-	-	Gallons					
Inch	-	Gallons					
	-	Gallons					
	-	Gallons					
		Sub-Total	()	()	()	()	()
		TOTALS	()	()	()	()	()

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above. If not billed as a typical residential user, please explain below.

<u>Name of Unit</u>	<u>Number of Units</u>	<u>Number of Meters</u>	<u>Revenue Calculations</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

XXIV. FORECAST OF SEWER USAGE - INCOME - NEW USERS - EXTENSION ONLY

Meter Size*	Monthly Sewer Usage	Average Rate	Residential			Non-Residential		
			No. of Users** (1000)	Usage (1000)	Income	No. of Users	Usage (1000)	Income
0 - 2,000 Gallons	1,000	14.78c						
2,000 - 3,000 Gallons	2,500							
3,000 - 4,000 Gallons	3,500	27.54c				1	4	27.54
4,000 - 5,000 Gallons	4,500	22.60r	16	72	361.60			
5,000 - 6,000 Gallons	5,500							
6,000 - 7,000 Gallons	6,500	46.68c				15	98	700.20
7,000 - 8,000 Gallons	7,500	53.06c				3	22	159.18
8,000 - 9,000 Gallons	8,500	59.18c				3	25	177.54
9,000 - 10,000 Gallons	9,500							
5/8 10,000 - 11,000 Gallons	10,500							
x 11,000 - 12,000 Gallons	11,500							
3/4 12,000 - 13,000 Gallons	12,500							
Inch 13,000 - 14,000 Gallons	13,500							
14,000 - 15,000 Gallons	14,500							
15,000 - 16,000 Gallons	15,500							
16,000 - 17,000 Gallons	16,500							
17,000 - 18,000 Gallons	17,500							
18,000 - 19,000 Gallons	18,500							
19,000 - 20,000 Gallons	19,500							
- Gallons								
- Gallons								
- Gallons								
Sub-Total			(16)	(72)	(362)	(22)	(149)	(1,064)
Average Monthly Rate ()								
Average Monthly Usage			(4,500)			(6773)		

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
5-	_____	-	_____	Gallons	_____	_____	_____	_____	_____
Inch	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
				Sub-Total	()	()	()	()	()
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
6-	_____	-	_____	Gallons	_____	_____	_____	_____	_____
Inch	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____
				Sub-Total	()	()	()	()	()
				TOTALS	()	()	()	()	()

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above. If not billed as a typical residential user, please explain below.

<u>Name of Unit</u>	<u>Number of Units</u>	<u>Number of Meters</u>	<u>Revenue Calculations</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

XXV. FORECAST OF WATER USAGE - INCOME - EXISTING SYSTEM - EXISTING USERS N/A

Meter Size*	Monthly Sewer Usage	Average Rate	Residential			Non-Residential		
			No. of Users**	Usage (1000)	Income	No. of Users	Usage (1000)	Income
	0 - 2,000 Gallons	1,000						
	2,000 - 3,000 Gallons	2,500						
	3,000 - 4,000 Gallons	3,500						
	4,000 - 5,000 Gallons	4,500						
	5,000 - 6,000 Gallons	5,500						
	6,000 - 7,000 Gallons	6,500						
	7,000 - 8,000 Gallons	7,500						
	8,000 - 9,000 Gallons	8,500						
	9,000 - 10,000 Gallons	9,500						
5/8	10,000 - 11,000 Gallons	10,500						
x	11,000 - 12,000 Gallons	11,500						
3/4	12,000 - 13,000 Gallons	12,500						
Inch	13,000 - 14,000 Gallons	13,500						
	14,000 - 15,000 Gallons	14,500						
	15,000 - 16,000 Gallons	15,500						
	16,000 - 17,000 Gallons	16,500						
	17,000 - 18,000 Gallons	17,500						
	18,000 - 19,000 Gallons	18,500						
	19,000 - 20,000 Gallons	19,500						
	- Gallons							
	- Gallons							
	- Gallons							
	Sub-Total		()	()	()	()	()	()
	Average Monthly Rate ()							
	Average Monthly Usage		()			()		

* Breakdown of meter size usage is not required unless different water rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	-	Gallons						
	-	Gallons						
1-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
1-1/2	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
2-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
3-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
4-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

* Breakdown of meter size usage is not required unless different water rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
5-	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
Inch	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
				Sub-Total	()	()	()	()	()	()
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
6-	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
Inch	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
	_____	-	_____	Gallons	_____	_____	_____	_____	_____	_____
				Sub-Total	()	()	()	()	()	()
				TOTALS	()	()	()	()	()	()

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above.
 If not billed as a typical residential user, please explain below.

	<u>Name of Unit</u>	<u>Number of Units</u>	<u>Number of Meters</u>	<u>Revenue Calculations</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* Breakdown of meter size usage is not required unless different water rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

XXVI. FORECAST OF WATER USAGE - INCOME - NEW USERS - EXTENSION ONLY N/A

Meter Size*	Monthly Sewer Usage	Average Rate	Residential			Non-Residential		
			No. of Users**	Usage (1000)	Income	No. of Users	Usage (1000)	Income
	0 - 2,000 Gallons	1,000						
	2,000 - 3,000 Gallons	2,500						
	3,000 - 4,000 Gallons	3,500						
	4,000 - 5,000 Gallons	4,500						
	5,000 - 6,000 Gallons	5,500						
	6,000 - 7,000 Gallons	6,500						
	7,000 - 8,000 Gallons	7,500						
	8,000 - 9,000 Gallons	8,500						
	9,000 - 10,000 Gallons	9,500						
5/8	10,000 - 11,000 Gallons	10,500						
x	11,000 - 12,000 Gallons	11,500						
3/4	12,000 - 13,000 Gallons	12,500						
Inch	13,000 - 14,000 Gallons	13,500						
	14,000 - 15,000 Gallons	14,500						
	15,000 - 16,000 Gallons	15,500						
	16,000 - 17,000 Gallons	16,500						
	17,000 - 18,000 Gallons	17,500						
	18,000 - 19,000 Gallons	18,500						
	19,000 - 20,000 Gallons	19,500						
	- Gallons							
	- Gallons							
	- Gallons							
	Sub-Total		()	()	()	()	()	()
	Average Monthly Rate	()						
	Average Monthly Usage		()			()		

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	-	Gallons						
	-	Gallons						
1-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
1-1/2	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
2-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
3-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

	-	Gallons						
	-	Gallons						
4-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()

* Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.

** Number of users should reflect the actual number of "meter settings".

	-	Gallons						
	-	Gallons						
5-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()
	-	Gallons						
	-	Gallons						
6-	-	Gallons						
Inch	-	Gallons						
	-	Gallons						
	-	Gallons						
	-	Gallons						
		Sub-Total		()	()	()	()	()
		TOTALS		()	()	()	()	()

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above. If not billed as a typical residential user, please explain below.

<u>Name of Unit</u>	<u>Number of Units</u>	<u>Number of Meters</u>	<u>Revenue Calculations</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

- * Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.
- ** Number of users should reflect the actual number of "meter settings".

XXVII. CURRENT OPERATING BUDGET - (SEWER SYSTEM)

N/A

(As of the last full operating year.)

A. Operating Income:

<i>Sewer Revenue</i>	\$ _____
<i>Late Charge Fees</i>	_____
<i>Other (Describe)</i>	_____
<i>Less Allowances and Deductions</i>	(_____)
<i>Total Operating Income</i>	\$ _____

B. Operation and Maintenance Expenses:

(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

<i>Operation Expense</i>	\$ _____
<i>Maintenance Expense</i>	_____
<i>Customer Accounts Expense</i>	_____
<i>Administrative and General Expense</i>	_____
<i>Total Operating and Maintenance Expenses</i>	\$ _____
<i>Net Operating Income</i>	\$ _____

C. Non-Operating Income:

<i>Interest on Deposits</i>	\$ _____
<i>Other (Identify)</i>	_____
<i>Total Non-Operating Income</i>	\$ _____

D. Net Income \$ _____

E. Debt Repayment:

<i>RUS Interest</i>	\$ _____
<i>RUS Principal</i>	_____
<i>Non-RUS Interest</i>	_____
<i>Non-RUS Principal</i>	_____
<i>Total Debt Repayment</i>	\$ _____

F. Balance Available for Coverage \$ _____

XXVIII. PROPOSED OPERATING BUDGET - (SEWER SYSTEM) - EXISTING SYSTEM
AND NEW USERS (1st Full Year of Operation) Year Ending 2004

A. Operating Income:

<i>Sewer Revenue</i>	\$ 17,112
<i>Late Charge Fees</i>	_____
<i>Other (Describe)</i>	_____
<i>Less Allowances and Deductions</i>	(_____)
Total Operating Income	\$ _____

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

<i>Operation Expense</i> Trtmt. at \$1.85/1000gal	\$ 4,900
<i>Maintenance Expense</i> Est. at \$1.00/1000gal	2,700
<i>Customer Accounts Expense</i>	1,400
<i>Administrative and General Expense</i>	1,400
Total Operating and Maintenance Expenses	\$ 10,400
Net Operating Income	\$ 6,712

C. Non-Operating Income:

<i>Interest on Deposits</i>	\$ _____
<i>Other (Identify)</i>	_____
Total Non-Operating Income	\$ _____

D. Net Income

\$ _____

E. Debt Repayment:

<i>RUS Interest</i>	\$ 4,500
<i>RUS Principal</i>	1,040
<i>Non-RUS Interest</i>	_____
<i>Non-RUS Principal</i>	_____
Total Debt Repayment	\$ 5,540

F. Balance Available for Coverage

\$ 1,172

XXIX. PROPOSED OPERATING BUDGET - (SEWER SYSTEM) - NEW USERS - EXTENSION ONLY (1st Full Year of Operation) Year Ending 2004

A. Operating Income:

<i>Sewer Revenue</i>	\$ 17,112
<i>Late Charge Fees</i>	_____
<i>Other (Describe)</i>	_____
<i>Less Allowances and Deductions</i>	(_____)
Total Operating Income	\$ _____

B. Operation and Maintenance Expenses:

(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

<i>Operation Expense</i> Trtmt. est. at \$1.85/1000gal	\$ 4,900
<i>Maintenance Expense</i> Est. at \$1.00/1000gal	2,700
<i>Customer Accounts Expense</i>	1,400
<i>Administrative and General Expense</i>	1,400
Total Operating and Maintenance Expenses	\$ 10,400
Net Operating Income	\$ 6,712

C. Non-Operating Income:

<i>Interest on Deposits</i>	\$ _____
<i>Other (Identify)</i>	_____
Total Non-Operating Income	\$ _____

D. Net Income \$ _____

E. Debt Repayment:

<i>RUS Interest</i>	\$ 4,500
<i>RUS Principal</i>	1,040
<i>Non-RUS Interest</i>	_____
<i>Non-RUS Principal</i>	_____
Total Debt Repayment	\$ 5,540

F. Balance Available for Coverage \$ 1,172

XXX. CURRENT OPERATING BUDGET - (WATER SYSTEM) N/A
(As of the last full operating year.)

A. Operating Income:

Water Sales	\$ _____
Disconnect/Reconnect/Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	(_____)
Total Operating Income	\$ _____

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of
Regulatory Utility Commissioners)

Source of Supply Expense	\$ _____
Pumping Expense	_____
Water Treatment Expense	_____
Transmission and Distribution Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating Expenses	\$ _____
Net Operating Income	\$ _____

C. Non-Operating Income:

Interest on Deposits	\$ _____
Other (Identify)	_____
Total Non-Operating Income	\$ _____

D. Net Income \$ _____

E. Debt Repayment:

RUS Interest	\$ _____
RUS Principal	_____
Non-RUS Interest	_____
Non-RUS Principal	_____
Total Debt Repayment	\$ _____

F. Balance Available for Coverage \$ _____

XXXI. PROPOSED OPERATING BUDGET - (WATER SYSTEM) - EXISTING SYSTEM ^{N/A}
AND NEW USERS (1st Full Year of Operation) Year Ending _____

A. Operating Income:

Water Sales	\$ _____
Disconnect/Reconnect/Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	(_____)
Total Operating Income	\$ _____

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	\$ _____
Pumping Expense	_____
Water Treatment Expense	_____
Transmission and Distribution Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating Expenses	\$ _____
Net Operating Income	\$ _____

C. Non-Operating Income:

Interest on Deposits	\$ _____
Other (Identify)	_____
Total Non-Operating Income	\$ _____

D. Net Income **\$ _____**

E. Debt Repayment:

RUS Interest	\$ _____
RUS Principal	_____
Non-RUS Interest	_____
Non-RUS Principal	_____
Total Debt Repayment	\$ _____

F. Balance Available for Coverage **\$ _____**

XXXII. PROPOSED OPERATING BUDGET - (WATER SYSTEM) - NEW USERS - N/A
EXTENSION ONLY (1st Full Year of Operation) Year Ending _____

A. Operating Income:

Water Sales	\$ _____
Disconnect/Reconnect/Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	(_____)
Total Operating Income	\$ _____

B. Operation and Maintenance Expenses:
 (Based on Uniform System of Accounts prescribed by National Association of
 Regulatory Utility Commissioners)

Source of Supply Expense	\$ _____
Pumping Expense	_____
Water Treatment Expense	_____
Transmission and Distribution Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating Expenses	\$ _____
Net Operating Income	\$ _____

C. Non-Operating Income:

Interest on Deposits	\$ _____
Other (Identify)	_____
Total Non-Operating Income	\$ _____

D. Net Income \$ _____

E. Debt Repayment:

RUS Interest	\$ _____
RUS Principal	_____
Non-RUS Interest	_____
Non-RUS Principal	_____
Total Debt Repayment	\$ _____

F. Balance Available for Coverage \$ _____

XXXIII. ESTIMATED PROJECT COST - SEWER
(Round to nearest \$100)

	<u>Collection</u>	<u>Treatment</u>	<u>Total</u>
<i>Development</i>	592,920		592,920
<i>Land and Rights</i>	5,000		5,000
<i>Legal</i>	22,000		22,000
<i>Engineering</i>	109,000		109,000
<i>Interest</i>	5,000		5,000
<i>Contingencies</i>	56,080		56,080
<i>Initial Operating and Maintenance</i>	10,000		10,000
<i>Other</i>			
TOTAL	800,000		800,000

XXXIV. PROPOSED PROJECT FUNDING - SEWER

	<u>Collection</u>	<u>Treatment</u>	<u>Total</u>
<i>Applicant - User Contribution Fees</i>			
<i>Other - Applicant Contribution</i>			
<i>RUS Loan</i>	100,000		100,000
<i>RUS Grant</i>			
<i>ARC Grant (If applicable)</i>	400,000		400,000
<i>CDBG (If applicable)</i>			
<i>Other (Specify) HB502</i>	300,000		300,000
<i>Other (Specify)</i>			

XXXV. ESTIMATED PROJECT COST - WATER N/A

Development	\$ _____
Land and Rights	_____
Legal	_____
Engineering	_____
Interest	_____
Contingencies	_____
Initial Operating and Maintenance	_____
Other	_____
TOTAL	\$ _____

XXXVI. PROPOSED PROJECT FUNDING N/A

Applicant - User Connection Fees	\$ _____
Other Applicant Contribution	_____
RUS Loan	_____
RUS Grant	_____
ARC Grant (If applicable)	_____
CDBG (If applicable)	_____
Other (Specify)	_____
Other (Specify)	_____
TOTAL	\$ _____

Exhibit B



404 BNA Drive
 Suite 201
 Nashville, TN 37217
 Tel 615 / 366-1600
 Fax 615 / 366-0406

Engineering
 Architecture
 Planning
 GIS
 Aviation Consultants

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 Cincinnati, OH
 Indianapolis, IN
 Knoxville, TN
 Lexington, KY
 Louisville, KY

GRW Elrod Dunson, Inc.

**FINAL ENGINEERING REPORT
 NORTH BROWNSVILLE WASTEWATER COLLECTION SYSTEM
 EDMONSON COUNTY WATER DISTRICT
 April-05**

Construction:			\$1,325,551
Legal & Administrative:			\$25,000
Local Attorney:		\$5,000	
Bond Attorney:		\$7,000	
Grant Administration:		\$10,000	
Miscellaneous:		\$3,000	
Acquisition:			\$0
Engineering:			\$163,900
PER:		\$4,000	
Design:	7.79%	\$103,260	
Inspection:	4.27%	\$56,601	
Feasibility Analysis:		\$0	
Sewer Use Ordinance:		\$0	
User Charge System:		\$0	
Interest During Construction:			\$5,000
Initial Operation:			\$10,000
Contingencies:			<u>\$70,549</u>
	TOTAL PROJECT COSTS:		\$1,600,000
	CURRENT AVAILABLE FUNDS:		<u>\$1,600,000</u>

RUS Loan: \$100,000
 ARC Grant: \$400,000
 KIA(HB 502): \$300,000
 KIA(2003 TDF): \$300,000
 KIA(HB 267): \$500,000

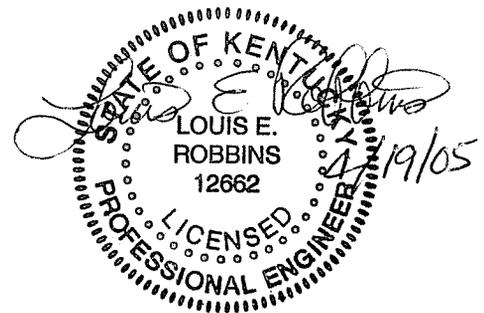


Exhibit C



**United States Department of Agriculture
Rural Development**
Kentucky State Office

May 4, 2005

SUBJECT: Edmonson County Water District
North Brownsville Sewer Collection System
Contract Award Concurrence

TO: Area Director
Columbia, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, Bobby Luttrell and Sons, LLC, in the amount of \$1,325,550.50.

If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.


KENNETH SLONE
State Director
Rural Development

cc: GRW Elrod Dunson, Inc.
Nashville, Tennessee


Bill Davis
Louisville, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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Tel 615 / 366-1600
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Cincinnati, OH
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GRW Elrod Dunson, Inc.

April 19, 2005

Mr. Harold Stewart
Edmonson County Water District
1128 Hwy 259 North
P.O. Box 208
Brownsville, KY 42210

Re: North Brownsville Wastewater Collection System
Recommendation for Award

Dear Mr. Stewart:

Bids on Contract S04-01: North Brownsville Wastewater Collection System were received and opened on February 17, 2005. Bids received were as follows (copies of bid tabulation enclosed):

- | | |
|--------------------------------|-----------------|
| 1. Bobby Luttrell & Sons, LLC | \$ 1,394,775.00 |
| 2. Young's General Contracting | \$ 1,546,339.00 |
| 3. Cleary Construction, Inc. | \$ 1,559,879.00 |
| 4. Scott & Ritter, Inc. | \$ 1,792,431.50 |
| 5. Salmon Construction, Inc. | \$ 1,967,525.00 |
| 6. Jim Skaggs, Inc. | \$ 1,988,055.00 |

The low bid (by Bobby Luttrell & Sons, LLC) exceeded the funds available; however, additional funds have been made available from the State of Kentucky and negotiations with the local power company have allowed for a reduction in costs for the power supply to one of the pump stations. In order to show the required contingencies, Line "C" will have to be temporarily deleted from the contract. We hereby recommend award of the contract to Bobby Luttrell & Sons, LLC, in the amount of \$ 1,325,550.50 as shown on the attached Memorandum of Negotiation (to be executed concurrent with contract), contingent upon approval by Rural Development.

Please call if you have any questions or need additional information.

Sincerely,

Louis E. Robbins, P.E.

Enclosures

cc: Linda Cooper, RD Columbia
William Davis, Ogden Newell & Welch PLLC ✓
File 7529 A

Exhibit D

NOTICE OF ESTABLISHMENT OF SEWER RATES

Edmonson County Water District

Notice is hereby given that, pursuant to an application being filed with the Public Service Commission of Kentucky under KRS 278.023 by the Edmonson County Water District (the "District"), the District proposes to establish its monthly sewer service rates and charges as follows:

Proposed Sewer Rates

Sewer rates will be at least 100% of water rates for residential usage and 150% of water rates for non-residential usage and shall be at least as follows:

Residential Rates:

First	1,500 gallons @ \$ 9.85 - Minimum Bill
Next	6,500 gallons @ \$ 4.25 - per 1,000 gallons
Next	12,000 gallons @ \$ 3.90 - per 1,000 gallons
All Over	20,000 gallons @ \$ 2.90 - per 1,000 gallons

Non- Residential Rates:

First	1,500 gallons @ \$14.78 - Minimum Bill
Next	6,500 gallons @ \$ 6.38 - per 1,000 gallons
Next	12,000 gallons @ \$ 5.85 - per 1,000 gallons
All Over	20,000 gallons @ \$ 4.35 - per 1,000 gallons

By use of federal loan and grant proceeds and local funds, the District plans to construct a new sanitary sewer (wastewater) collection system consisting of approximately 15,500 linear feet of gravity sewer lines, two sewage pumping stations, 2,800 linear feet of sewage force mains and appurtenances to serve approximately 60 commercial and residential customers with sanitary sewer service. The wastewater will be transported to the City of Brownsville wastewater treatment plant for treatment.

EDMONSON COUNTY WATER DISTRICT
P. O. Box 208
Brownsville, Kentucky 42210

THE GIMLET ~~NEWS~~
EDMONSON NEWS

Member: Kentucky Press Association
National Newspaper Association
Kentucky Weekly Newspaper Association

P. O. Box 69
BROWNSVILLE, KENTUCKY 42210
502-597-3115
Fax 502-597-3115

AFFIDAVIT

PROOF OF PUBLICATION OF ADVERTISING

I, Catherine County, do hereby certify that hold the position of Publisher with the Edmonson News in Brownsville, Kentucky, and in such position have the responsibility for the publication of advertising in said newspaper and have custody of the records of said newspaper concerning the publication of advertising and that the attached advertisement has been published in all editions of said newspaper on 5-18-05.

Catherine County

Subscribed and sworn to before me in my presence this the 18th day of May 2005.

Catherine Lane
Notary Public

My commission expires the 23rd day of July, 2007.

**NOTICE OF ESTABLISHMENT OF
SEWER RATES**

Edmonson County Water District

Notice is hereby given that, pursuant to an application being filed with the Public Service Commission of Kentucky under KRS 278.023 by the Edmonson County Water District (the "District"), the District proposes to establish its monthly sewer service rates and charges as follows:

Proposed Sewer Rates

Sewer rates will be at least 100% of water rates for residential usage and 150% of water rates for non-residential usage and shall be at least as follows:

Residential Rates:

First 1,500 gallons @ \$9.85-Minimum Bill
Next 6,500 gallons @ \$4.25-per 1,000 gallons
Next 12,000 gallons @ \$3.90-per 1,000 gallons
All Over 20,000 gallons @ \$2.90-per 1,000 gallons

Non-Residential Rates:

First 1,500 gallons @ \$14.78-Minimum Bill
Next 6,500 gallons @ \$ 6.38-per 1,000 gallons
Next 12,000 gallons @ \$5.85-per 1,000 gallons
All Over 20,000 gallons @ \$4.35-per 1,000 gallons

By use of federal loan and grant proceeds and local funds, the District plans to construct a new sanitary sewer (wastewater) collection system consisting of approximately 15,500 linear feet of gravity sewer lines, two sewage pumping stations, 2,800 linear feet of sewage force mains and appurtenances to serve approximately 60 commercial and residential customers with sanitary sewer service. The wastewater will be transported to the City of Brownsville wastewater treatment plant for treatment.

EDMONSON COUNTY WATER DISTRICT

P. O. Box 208

Brownsville, Kentucky 42210

5/19/1c

Exhibit E

SERIES 2005
- SEWER REVENUE BOND-AUTHORIZING RESOLUTION -

A RESOLUTION OF THE COMMISSION OF EDMONSON COUNTY WATER DISTRICT PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF THE DISTRICT'S SANITARY SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$100,000 SEWER SYSTEM REVENUE BONDS, SERIES 2005, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID); MAKING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF THE SANITARY SEWER SYSTEM AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HEREIN CREATED IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

Adopted _____, 2005

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A RESOLUTION OF THE COMMISSION OF EDMONSON COUNTY WATER DISTRICT PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF THE DISTRICT'S SANITARY SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$100,000 SEWER SYSTEM REVENUE BONDS, SERIES 2005, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID); MAKING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF THE SANITARY SEWER SYSTEM AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HEREIN CREATED IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing, and upon proper public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), an order was duly entered by the County Court of Edmonson County, Kentucky, on March 10, 1967, determining necessity for and creating and establishing the Edmonson County Water District (the "District"), defining the geographical area thereof, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and the District is at this time a *de jure* water district situated in Edmonson County, Kentucky, with extensions into Warren, Grayson and Hart Counties; and

WHEREAS, the District has determined it is in the public interest to construct, own and operate a municipal sanitary sewer system to serve areas within the District, which system, together with all expansions thereof and additions and improvements thereto, is referred to herein as the "System"; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained the right and authority to construct and operate the original portion of the System, which is herein referred to as the "Project," and plans and specifications for the Project have been prepared by GRW Elrod Dunson, Inc., Nashville, Tennessee, the District's consulting engineers (the "Engineers"), and approved by the District's Commission and all state and other supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of the Project at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the

aggregate of all costs and expenses in connection with the Project will be \$800,000, and to provide a portion of such funds the District has received from the U.S. Department of Agriculture, Rural Development (“USDA”), an offer to make a loan to the District in the amount of \$100,000 which, together with a USDA grant (\$400,000) and a Kentucky Infrastructure Authority grant (\$300,000), will be sufficient to pay the estimated costs and expenses; and

WHEREAS, it is now appropriate for the District to provide for borrowing such sum of \$100,000 through issuance and sale of its Sewer System Revenue Bonds, Series 2005 (the “Bonds”), according to authority of Kentucky Revised Statutes (“KRS”) Chapters 74 and 96; and

WHEREAS, the Bonds will be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System and will not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF EDMONSON COUNTY WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS; AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the construction and installation of the Project, all substantially according to the plans, specifications and designs prepared for the District by the Engineers and on file with the District. Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

SYSTEM TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and the same shall constitute and be a part of the System, and so long as any of the Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall be owned, controlled, operated and maintained by the District for the security and source of payment of the Bonds and all other parity bonds hereafter issued. The Project is to be constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS 74.407 and KRS 96.350 through 96.510, now in full force and effect.

SECTION 3

BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

(A) For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the Bonds, there are hereby authorized to be issued the District's Sewer System Revenue Bonds, Series 2005, in the principal amount of \$100,000 (the "Bonds"), with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The Bonds hereby authorized shall be offered at public sale as provided in Section 4 hereof and shall be issuable in the form of a single fully registered bond as provided in Section 5 hereof.

The Bonds shall be dated as of the date of delivery to the original purchaser thereof; shall mature as to principal in installments on January 1 in each of the years 2008 to 2045, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on January 1 and July 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the Bonds as hereinafter provided. The installments of principal of the Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2008	\$1,100	2021	\$1,900	2034	\$3,200
2009	1,100	2022	2,000	2035	3,400
2010	1,200	2023	2,100	2036	3,500
2011	1,200	2024	2,100	2037	3,700
2012	1,300	2025	2,200	2038	3,800
2013	1,400	2026	2,300	2039	4,000
2014	1,400	2027	2,400	2040	4,200
2015	1,500	2028	2,500	2041	4,300
2016	1,500	2029	2,600	2042	4,500
2017	1,600	2030	2,700	2043	4,700
2018	1,700	2031	2,900	2044	4,900
2019	1,700	2032	3,000	2045	5,500
2020	1,800	2033	3,100		

The Bonds shall be issued as a single fully registered Bond, numbered R-1, maturing in principal installments in annual amounts corresponding to the schedule immediately above, provided, however, that installments of principal of Bonds maturing on and after January 1, 2016, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after January 1, 2015, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the Bonds; provided, that so long as USDA is the owner of any of

the Bonds, the same may be prepaid in whole or in part at any time at par plus accrued interest, and without notice or prepayment premium. The Bonds may be prepaid only in increments of \$100.

Both principal of and interest on the Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such Bond. The Bonds, together with any bonds which may hereafter be issued on a basis of parity therewith, shall be payable as to principal and interest only out of the Sewer System Revenue Bond and Interest Sinking Fund, as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the legal newspaper published in Edmonson County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (b) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of Bonds to be sold, the time of the sale and other details concerning the Bonds and the sale, and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the Bonds, provisions as to redemption prior to maturity and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the Bonds and who are not purchasing for more than one account and do not intend to redistribute the Bonds. The District will make available to any such qualified bidder, upon written request, any financial or other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the Bonds.

(B) The single interest rate must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the Bonds, which good faith deposit may be applied as partial payment for such Bonds, or as liquidated damage in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Bonds bid for, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to the final maturity specified in each bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Bonds at the office of the District within 45 days after notice is given of the award. If the Bonds are not ready for delivery and payment within 45 days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the Bonds, except that Bonds purchased by any agency of the federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the Bonds, together with evidence of approval of the Bond issue by the Public Service Commission of Kentucky pursuant to the requirements of KRS Chapter 278, and customary closing documents, including a no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Ogden Newell & Welch PLLC, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the Bonds, without additional cost to the successful bidder.

In the event that there is no bid, or that all bids are rejected, the District may re-advertise the sale pursuant to this Resolution.

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the Bonds.

SECTION 5

BONDS TO BE ISSUED IN FULLY REGISTERED FORM;
FULLY REGISTERED BOND FORM

Upon the sale of the Bonds, the District shall issue a single fully registered Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of the Bonds it represents, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary-Treasurer of the Commission, and actual impression of the corporate seal), constitute the Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary-Treasurer, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary-Treasurer shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
EDMONSON COUNTY WATER DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 2005

KNOW ALL MEN BY THESE PRESENTS:

That Edmonson County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Edmonson, Warren, Grayson and Hart Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of ONE HUNDRED THOUSAND DOLLARS (\$100,000) on the first day of January in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here the printer will print the principal maturities of the Bonds.)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____% per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized issue of Bonds in the principal amount of \$100,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 74.407 and 96.350 through 96.510 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the construction and installation of the District's municipal sanitary sewer system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that may subsequently be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and any outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Sewer System Revenue Bond and Interest Sinking Fund."

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Sections 74.407 and 96.400 of the Kentucky Revised Statutes and by the aforesaid Resolution for the benefit and protection of the holder of this Bond, and the same shall remain in effect until payment in full of the principal of and interest on this Bond.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith that may be outstanding from time to time, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary-Treasurer of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2015, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Hundred Dollars (\$100) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of the Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

This Bond is exempt from *ad valorem* taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue of which this Bond is a part, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Edmonson County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary-Treasurer, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

EDMONSON COUNTY WATER
DISTRICT

By _____
Chairman of the Commission

Attest:

Secretary-Treasurer

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the Edmonson County Water District kept for that purpose by the Secretary-Treasurer, as Bond Registrar, upon presentation hereof to the Secretary-Treasurer, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Holder	Signature of the Water District's Bond Registrar
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the Bonds)

SECTION 6

DISPOSITION OF BOND PROCEEDS; CONSTRUCTION FUND

The Secretary-Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in a bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Secretary-Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the Bonds shall be applied as follows:

Upon the issuance and delivery of the Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Edmonson County Water District 2005 Sewer Construction Fund" (the "Construction Fund"), hereby created. Said Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by a separate interim financing Resolution of the Commission of the District; provided, however, any Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the Bonds (following delivery thereof) during construction and development of the System shall be earmarked, used and applied to the payment of interest on the Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Secretary-Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and, if USDA is the purchaser of the Bonds, by USDA (if USDA so requires). Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the System for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the System, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sewer System Revenue Bond and Interest Sinking Fund hereinafter referred to, and shall be used at the earliest practicable date for the retirement of Bonds by purchase thereof (or principal prepayment) in inverse maturity order.

In the event that the amount hereinabove provided to be set aside from Bond proceeds for payment for interest during the construction and development of the System should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the System, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

From and after issuance and delivery of the Bonds, and so long as any thereof remain outstanding and unpaid, the System shall be operated on a fiscal year basis beginning each January 1 and ending on the next December 31, and on that basis the income and revenues shall be collected, segregated, accounted for and distributed as provided in this Section.

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, is hereby created and is designated and identified as the "Edmonson County Sewer System Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all income and revenues of the System as hereinafter defined. The moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the succeeding subsections of this Section 7, all as permitted by applicable statutes, as follows:

(A) A separate and special fund or account of the District is hereby created and is designated and identified as the "Edmonson County Water District Sewer System Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The

District covenants that it will transfer monthly from the funds in the Revenue Fund to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made.

(B) A separate and special fund or account of the District is hereby created, distinct and apart from all other funds and accounts, and is designated and identified as the "Edmonson County Water District Sewer System Revenue Bond and Interest Sinking Fund" (the "Bond Fund" or "Sinking Fund"), which shall be maintained, so long as any of the Bonds or parity bonds herein permitted to be issued are outstanding, in the Depository Bank, and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on bonds issued and outstanding from time to time pursuant to this Resolution, including the Bonds and additional parity bonds, if any are issued.

Subject to subparagraph (A) of this Section 7, there shall to be transferred on or before the 15th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Bond Fund, sums not less than:

(i) beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all Bonds then outstanding; and

(ii) beginning on January 15, 2007, a sum equal to one-twelfth (1/12) of the principal of all Bonds maturing on the next succeeding January 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth in this Resolution, the monthly deposits shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

(C) A separate and special fund or account of the District is hereby created and is designated and identified as the "Edmonson County Water District Sewer System Depreciation Fund" (the "Depreciation Fund"). After observing the priority of deposits set forth in subparagraphs (A) and (B) above, there shall be set apart and paid into the Depreciation Fund each month 100% of the remaining funds in the Revenue Fund (at least \$50 per month, as required by USDA).

In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same be sold upon order of the Commission. The term "income and revenues" of the System, as used in Section 7 hereof, means all proceeds of sewer service rates and charges and does not include any of the other cash items enumerated in this paragraph.

The Depreciation Fund shall be available and may be withdrawn and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of

constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a high degree of service. The Depreciation Fund shall also be available for transfer to the Bond Fund in order to avoid default in connection with any Bonds payable from the Bond Fund or to prepay or redeem Bonds in advance of their maturity.

* * *

At any time when the accumulations in the Operation and Maintenance Fund, the Bond Fund and the Depreciation Fund shall exceed anticipated and foreseeable needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government ("Government Obligations"), or in bank certificates of deposit fully collateralized by Government Obligations, maturing or subject to redemption at the option of the holder not later than the times the proceeds of such obligations will be needed; but as and when funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in any Fund shall be carried to the credit of such Fund; all income from investments and any profit from the sale thereof shall be credited thereto; and any expenses incident to investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

* * *

All payments into the above special funds shall be made on or before the fifteenth (15th) day of each month, except that when the fifteenth (15th) day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC shall (unless invested as herein authorized) be secured by a surety bond or bonds or by pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value equivalent to such deposit.

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding Bonds or parity bonds in accordance with the provisions governing prepayment of bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of funds as herein provided; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and to provide 1.20 times coverage of principal and interest on all bonds payable from the Bond Fund, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a

copy of each such Budget, and of any amendments thereto, in the office of the Secretary-Treasurer of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Bond Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year, and to the extent that said gross revenues are insufficient to meet all requirements as provided in this Resolution, and to provide 1.20 times coverage of principal of and interest on all bonds payable from the Bond Fund, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a consulting engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution, in the amount and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed certified public accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financing condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the office of the Secretary-Treasurer where it will be available for public inspection, and will promptly mail a copy thereof to the original purchaser of Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the balance sheet, and a condensed form of the operating report, in reasonable detail. All expenses incurred in causing

such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by the District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the Bonds, then upon the filing of suit by any holder of the Bonds any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than Depository Banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission; and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in a special Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain public liability insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable worker's compensation insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain vehicular public liability insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify, which shall not be less than the amounts specified in this Section 8 so long as the Bonds are outstanding.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

(R) The District covenants that it will bill its customers for sewer services rendered at the same time as billing for water services is carried out, and that it will cut off, terminate and discontinue water services to any premises where the bill for sewer services is not promptly paid.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of construction or completion of the System, as hereinbefore described, shall exceed the estimated cost upon which the dollar amount of Bonds herein authorized has been computed, it shall deposit into the Construction Fund the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained the consent of the holder of the Bonds.

(B) The District shall have the right to add new sanitary sewer system facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the Bonds, provided in each instance that:

(i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Bonds;

(ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System or any part thereof;

(iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds (with adjustments as hereinafter provided) are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the maximum annual requirement for principal of and interest on all Bonds and parity bonds, if any, then outstanding and on the additional bonds proposed to be issued. Such net revenues may be adjusted for the purpose of the foregoing computations to reflect (a) any revisions in the schedule of sewer rates and charges being imposed at the time of the issuance of the additional bonds proposed to be issued and (b) any increase in such net revenues projected by reason of the revenues reasonably anticipated to be derived from the new sewer service facilities (to be made a part of the System) being financed in whole or in part by such additional bonds; provided that such latter adjustment shall be made only if a contract or contracts for the immediate construction and acquisition of such new sewer service facilities have been entered into prior to the issuance of such additional bonds. All of such adjustments shall be based upon the written certification of a recognized independent consulting engineer or firm of consulting engineers. The foregoing conditions and limitations prescribed in this subparagraph (iii) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the outstanding Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

(i) adjust the monthly deposits into the Bond Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the debt service on the additional bonds;

(ii) adjust and increase the maximum amount to be deposited into the Depreciation Fund on the same basis as that prescribed in Section 7(C) hereof; and

(iii) make such additional bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year.

(D) If the District at its option undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood (a) that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call), and (b) that calls of bonds for each series of bonds will be in accordance with the call provisions of the respective bond series.

However, the District shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium.

The additional parity bonds (sometimes herein referred to as “permitted” to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the Bonds, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds and parity bonds herein permitted to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the said bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the Bonds, no change, variation or alteration of any kind of the provisions of this Resolution shall be made in any manner without the written consent of the holder or holders of the Bonds, except as herein provided, until such time as all of the Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by Sections 74.407 and 96.400 of the Kentucky Revised Statutes for the benefit and protection of the holders of the Bonds issued and parity bonds permitted to be issued under authority of this Resolution, and of the interest payable thereon; and said statutory mortgage lien is hereby recognized and shall be effective upon delivery of any of the Bonds and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the Bonds and any parity bonds.

SECTION 12

TAX COVENANTS AND REPRESENTATIONS

(A) The District certifies, covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the Bonds that so long as any of the Bonds remain outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be invested or used in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary-Treasurer as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

(B) The District further represents, warrants, agrees and covenants as follows:

(a) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(b) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from

the date the Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the Bonds, the District will take all action necessary to comply therewith.

(c) It is reasonably expected that during the term of the Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(d) The weighted average maturity of the Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(e) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(f) The Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(g) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(h) The District will not use or permit the use of any of the funds provided by the Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(i) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 13

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 15

WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE EDMONSON COUNTY WATER DISTRICT, at a meeting held on the ____ day of _____, 2005, on the same occasion signed by the Chairman, attested by the Secretary-Treasurer, and declared to be in full force and effect.

Chairman of the Commission

Attest:

Secretary-Treasurer

CERTIFICATION

The undersigned, Secretary-Treasurer of the Commission of Edmonson County Water District, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of the District at a properly convened meeting of the Commission of the District held on the ____ day of _____, 2005, signed by the Chairman and attested by me as Secretary-Treasurer, as shown by the official records in my custody and under my control.

WITNESS my hand this ____ day of _____, 2005.

Secretary-Treasurer

Exhibit F



United States Department of Agriculture
Rural Development
Kentucky State Office

May 16, 2005

Mr. Harold S. Stewart, Chairman
Edmonson County Water District
P.O. Box 208
Brownsville, Kentucky 42210

Re: Letter of Conditions Dated June 10, 2003

Dear Mr. Stewart:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated June 10, 2003. The purpose of this amendment is to revise the sewer rates and charges.

Paragraph numbered "24" is revised to read as follows:

" 24. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the sewer system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Sewer rates will be at least 100% of water rates for residential usage and 150% of water rates for non-residential usage and shall be at least as follows:

Residential Rates:

First	1,500	gallons @ \$	9.85 - Minimum Bill.
Next	6,500	gallons @ \$	4.25 - per 1,000 gallons.
Next	12,000	gallons @ \$	3.90 - per 1,000 gallons.
All Over	20,000	gallons @ \$	2.90 - per 1,000 gallons.

Non-Residential Rates:

First	1,500	gallons @ \$	14.78 - Minimum Bill.
Next	6,500	gallons @ \$	6.38 - per 1,000 gallons.
Next	12,000	gallons @ \$	5.85 - per 1,000 gallons.
All Over	20,000	gallons @ \$	4.35 - per 1,000 gallons. "

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Edmonson County Water District

Page 2

All other provisions of the referenced Letter of Conditions, as amended by Amendment No. 1, remain in full force and unchanged.

Sincerely,


KENNETH STONE
State Director

cc: Area Director - Columbia, Kentucky
Rural Development Manager - Bowling Green, Kentucky
Barren River ADD - Bowling Green, Kentucky
Robert D. Meredith - Leitchfield, Kentucky
Ogden, Newell & Welch - Louisville, Kentucky
GRW-Elrod Dunson, Inc. - Nashville, Tennessee
PSC - ATTN: Bob Amato - Frankfort, Kentucky



MAY 1 2005

United States Department of Agriculture
Rural Development
Kentucky State Office

April 27, 2005

Mr. Harold S. Stewart, Chairman
Edmonson County Water District
P.O. Box 208
Brownsville, Kentucky 42210

Re: Letter of Conditions Dated June 10, 2003

Dear Mr. Stewart:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated June 10, 2003. The purpose of this amendment is to revise the estimated total cost of the project and the amount of various funding sources.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$100,000, an Appalachian Regional Commission (ARC) grant of \$400,000, a Kentucky Infrastructure Authority (KIA) HB502 grant of \$300,000, a Kentucky Infrastructure Authority (KIA) 2003 Tobacco Development Fund (TDF) grant of \$300,000, and a Kentucky Infrastructure Authority (KIA) HB267 grant of \$500,000. ”

Paragraph numbered "21" is revised to read as follows:

“ 21. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,325,550
Legal and Administrative	25,000
Engineering	163,900
Interest	5,000
Initial O&M	10,000
Contingencies	<u>70,550</u>
TOTAL	\$ 1,600,000

Financing:

RUS Loan	\$ 100,000
ARC Grant	400,000
KIA HB502 Grant	300,000
KIA TDF Grant	300,000
KIA HB267 Grant	<u>500,000</u>
TOTAL	\$ 1,600,000 ”

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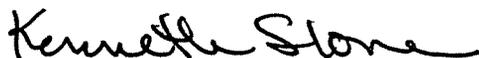
Paragraph numbered "26" is revised to read as follows:

" 26. Commitment of ARC and KIA Grant Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of \$400,000, for the KIA HB502 grant in the amount of \$300,000, for the KIA 2003 TDF grant in the amount of \$300,000, and for the KIA HB267 grant in the amount of \$500,000. "

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,



KENNETH SLONE

State Director

- cc: Area Director - Columbia, Kentucky
- Rural Development Manager - Bowling Green, Kentucky
- Barren River ADD - Bowling Green, Kentucky
- Robert D. Meredith - Leitchfield, Kentucky
- ✓Harper, Ferguson & Davis - Louisville, Kentucky
- GRW-Elrod Dunson, Inc. - Nashville, Tennessee
- PSC - ATTN: Bob Amato - Frankfort, Kentucky



July 9, 2003

Mr. Harold S. Stewart, Chairman
Edmonson County Water District
P.O. Box 208
Brownsville, Kentucky 42210

Dear Mr. Stewart:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$100,000, an Appalachian Regional Commission (ARC) grant of \$400,000, and a Kentucky Infrastructure Authority (KIA) HB502 grant of \$300,000.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 38 new sewer users. The Rural Development Manager will review and authenticate the number of users prior to advertising for construction bids. No contribution is required from the Water District.

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the bond. Principal payment will not be deferred for a period in excess of two years from the date of the bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the Water District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

3. Recommended Repayment Method:

Payments on this loan can be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Rural Development Manager will furnish the necessary forms and further guidance on the PAD procedure.

4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$50.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$6,000. The deposits are to be resumed any time the account falls below the \$6,000.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

5. Security Requirements:

A pledge of gross sewer revenue will be provided in the Bond Resolution.

6. Land Rights and Real Property:

The Water District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

7. Organization:

The Water District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

8. Business Operations:

The Water District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the Water District after review by Rural Development. At no later than loan pre-closing, the Water District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

9. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. The Water District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. Rural Development approval of the accounting system is required.

10. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The Water District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Water District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

11. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.

- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$607,000.
- D. Real Property Insurance - The Water District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Water District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

12. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "21" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 - 3. Legal Service Agreements.
 - 4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

13. Compliance with Section 504 of the Rehabilitation Act of 1973:

The Water District will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the sewer system, be denied the benefits of the sewer system, or be subjected to discrimination.

14. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the Water District.

15. Compliance with Special Laws and Regulations:

The Water District will be required to conform with any and all state and local laws and regulations affecting this type project.

16. System Operator:

The Water District is reminded that the system operator must have an Operator's Certificate issued by the State.

17. Prior to Pre-Closing the Loan, the Water District will be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The Water District must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

18. Refinancing and Graduation Requirements:

The Water District is reminded that if at any time it shall appear to the Government that the Water District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the Water District will apply for and accept such loan in sufficient amount to repay the Government.

19. Commercial Interim Financing:

The Water District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the Water District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

20. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Water District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the Water District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Water District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Water District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the Water District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Monthly audits of the Water District's construction account records shall be made by Rural Development.

21. Cost of Facility:

Breakdown of Costs:

Development	\$ 592,900
Land and Rights	5,000
Legal and Administrative	22,000
Engineering	109,000
Interest	5,000
Initial O&M	10,000
Contingencies	<u>56,100</u>
TOTAL	\$ 800,000

Financing:

RUS Loan	\$ 100,000
ARC Grant	400,000
KIA HB502 Grant	<u>300,000</u>
TOTAL	\$ 800,000

22. Debt Collection Improvement Act (DCIA) of 1996:

The Debt Collection Improvement Act (DCIA) of 1996 requires that all federal payments after January 1, 1999, must be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

23. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/HB502 grant funds and refunded in proportion to participation in the project. If the amount of unused grant funds exceeds the grants, that part would be RUS loan funds.

24. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the sewer system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Sewer rates will be at least:

Residential Rates:

First	1,500	gallons @ \$	9.85 - Minimum Bill.
Next	6,500	gallons @ \$	4.25 - per 1,000 gallons.
Next	12,000	gallons @ \$	3.90 - per 1,000 gallons.
All Over	20,000	gallons @ \$	2.90 - per 1,000 gallons.

Non-Residential Rates:

First	1,500	gallons @ \$	14.78 - Minimum Bill.
Next	6,500	gallons @ \$	6.38 - per 1,000 gallons.
Next	12,000	gallons @ \$	5.85 - per 1,000 gallons.
All Over	20,000	gallons @ \$	4.35 - per 1,000 gallons.

25. Sewage Treatment Contract:

The Water District will submit a Sewage Treatment Contract for approval by Rural Development before advertising for construction bids. The contract must meet the requirements of subsection 1780.63 of RUS Instruction 1780.

26. Commitment of ARC and KIA HB502 Grants:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of \$400,000 and for the KIA HB502 grant in the amount of \$300,000.

27. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any sewer service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the Water District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

28. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Kentucky Department for Local Government letter dated December 9, 2002, from Mr. Ronald A. Cook, Manager.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated May 22, 2003, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without affect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

29. Final Approval Conditions:

Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,


KENNETH SLONE
State Director

Enclosures

cc: Rural Development Manager - Columbia, Kentucky
Community Development Manager - Bowling Green, Kentucky
Barren River ADD - Bowling Green, Kentucky
Robert D. Meredith - Leitchfield, Kentucky
Harper, Ferguson & Davis - Louisville, Kentucky ✓
GRW-Elrod Dunson, Inc. - Nashville, Tennessee
PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

October 28, 2004

Attn: William W. Davis
Harper, Ferguson & Davis
Division of Ogden, Newell & Welch
1700 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202-2874

Re: Edmonson County Water District
\$100,000 Bond Issue

Dear Mr. Davis:

We are enclosing the Maturity Schedule for the referenced Bond Issue. The required deposits to the Funded Depreciation Reserve Account are \$50.00 per month with a required level of \$6,000. The Rural Development loan of \$100,000 was approved at an interest rate of 4.25%.

We are attempting to obtain the Regional Attorney's Closing Instructions at an earlier date in an effort to avoid delays in scheduling bond sales and pre-closing. Hopefully, you will be able to draft the bond authorizing documents at such a time to coincide with the Advertisement for Construction Bids. We plan to request Closing Instructions at the same time we authorize the Water District to advertise for construction bids.

Please provide this office with one copy of the proposed documents and forward one copy to the Rural Development Area Office.

Please let us know if you have any questions.

Sincerely,


KENNETH SLONE
State Director

Enclosure

cc: Area Director - Columbia, Kentucky
GRW Elrod-Dunson, Inc. - Nashville, Tennessee

REPORT



**RURAL UTILITIES SERVICE
BOND SCHEDULE, 10/28/2004**



Name of Borrower: Edmonson County Water District			
Amount of Loan	100000	Annual Interest Rate	0.0425
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	100	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2006	1	1	4250	4250	0	100000
2007	1	2	4250	4250	0	100000
2008	1	3	5350	4250	1100	98900
2009	1	4	5304	4204	1100	97800
2010	1	5	5357	4157	1200	96600
2011	1	6	5306	4106	1200	95400
2012	1	7	5355	4055	1300	94100
2013	1	8	5400	4000	1400	92700
2014	1	9	5340	3940	1400	91300
2015	1	10	5381	3881	1500	89800
2016	1	11	5317	3817	1500	88300
2017	1	12	5353	3753	1600	86700
2018	1	13	5385	3685	1700	85000
2019	1	14	5313	3613	1700	83300
2020	1	15	5341	3541	1800	81500
2021	1	16	5364	3464	1900	79600
2022	1	17	5383	3383	2000	77600
2023	1	18	5398	3298	2100	75500
2024	1	19	5309	3209	2100	73400
2025	1	20	5320	3120	2200	71200
2026	1	21	5326	3026	2300	68900
2027	1	22	5329	2929	2400	66500
2028	1	23	5327	2827	2500	64000
2029	1	24	5320	2720	2600	61400
2030	1	25	5310	2610	2700	58700
2031	1	26	5395	2495	2900	55800
2032	1	27	5372	2372	3000	52800
2033	1	28	5344	2244	3100	49700
2034	1	29	5313	2113	3200	46500
2035	1	30	5377	1977	3400	43100
2036	1	31	5332	1832	3500	39600
2037	1	32	5383	1683	3700	35900
2038	1	33	5326	1526	3800	32100
2039	1	34	5365	1365	4000	28100
2040	1	35	5395	1195	4200	23900
2041	1	36	5316	1016	4300	19600
2042	1	37	5333	833	4500	15100
2043	1	38	5342	642	4700	10400
2044	1	39	5342	442	4900	5500
2045	1	40	5734	234	5500	0
TOTALS			212057	112057	100000	

